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Crisis Neopatrimonialism

Russia's New Political Economy and the 2018 World Cup

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The economic crisis since 2010 has affected Russia's political economy by reducing the income available to fund political loyalty—the key mechanism of neopatrimonialism. Through an investigation of key infrastructure development projects, we examine how this crisis has affected the preparations for the 2018 Football World Cup. In so doing we introduce the concept of *crisis neopatrimonialism*, referring to the political and economic adaptations of a neopatrimonial system in response to economic crisis. Our research uncovered three major adaptations of neopatrimonialism in the context of World Cup preparations: a retreat of private money and concomitant rise in public funding, a reordering of favored elites, and higher costs of loyalty.

INTRODUCTION

The multi-year process of preparing a city to host a mega-event such as the Olympics or the Football World Cup is often costly and contentious (Giulianotti et al. 2015; Lenskyj 2008). Hosting requirements typically include major infrastructure projects that have lasting effects on cities, with the result that mega-event preparations commonly involve a variety of urban development agendas (Chalkley and Essex 1999; Gaffney 2010; Hiller 2000; Poynter et al. 2015). In Russia, where neopatrimonial relationships suffuse political and business life, preparing for the 2014 Sochi Olympics enriched a network of well-connected elites (Müller 2011; Orttung and Zhemukhov 2014). In anticipation of the 2018 Football World Cup, however, the economic crisis has introduced complications to this system, diminishing the flow of rents and hampering the state's ability to fulfill contractual obligations for delivering necessary infrastructure. At the same time, this crisis-driven reduction in rents has altered the neopatrimonial order.

Scholars commonly use the term *neopatrimonialism* to describe Russia's political economy (Gel'man 2015; Sakwa 2009; van Zon 2008). Neopatrimonialism refers to a system of governance where patrons and clients exchange rents for loyalty, as in an archetypal patrimonial society, but existing within the legal framework of a rational bureaucratic structure (Erdmann and Engel 2007; Weber 1997). The usage of this term in Russia is an attempt to describe the omnipresent but hidden networks of dynamic personal relationships within the nation's political and business landscapes.

Since it is based on a system of exchanging rents for loyalty, neopatrimonialism requires a stable or increasing flow of rents in order to function. This was the case in Russia between 2000 and the global financial crisis of 2008. Although Russia recovered macroeconomic growth relatively rapidly after the crisis, by 2014 the economy had again entered recession (World Bank 2016). This was a consequence of the falling oil price, economic sanctions in the wake of the Crimean annexation, a decline in the value of the ruble and a subsequent drop in consumer confidence, and a number of unresolved structural reforms. Prime Minister Dmitry Medvedev has called this situation the “new reality” that Russia has to deal with (Medvedev 2015, 8). So how does a neopatrimonial system function in the new reality of economic stagnation or shrinkage, when the potential pool of rents is diminished?

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In this paper, we suggest there is a particular, crisis-provoked neopatrimonialism that has emerged during the preparations for the 2018 World Cup. We call this *crisis neopatrimonialism*, that is, a neopatrimonial system working in a situation of diminished or interrupted rents. The World Cup, hosted in eleven cities and shaped by the obligation to fulfill infrastructural hosting requirements, has been one of Russia's largest projects in the years since 2010, when hosting rights were awarded. We investigate the World Cup-driven national development program and, from the total pool of infrastructure projects, we highlight three cases: the reconstruction of a training stadium in Rostov; the construction of new training facilities in Sochi; and the expansion and modernization of the airport in Kaliningrad. We use these cases to identify three features that we consider indicative of crisis neopatrimonialism: a decrease in private investment and a concomitant rise in public funding; a reordering of favored elites; and higher prices for elite loyalty. We base our analysis on a variety of documents, including contracts signed between FIFA (the international football federation) and the Russian government; federal documents that define infrastructure projects; documentation for the project tenders; reports from local and national Russian media; documents from businesses involved with the preparations; and economic reports from national and international organizations. We endeavor to explore how the economic crisis has affected Russian neopatrimonialism as exemplified in the preparations for the 2018 World Cup, and we reflect on whether this emergence of crisis neopatrimonialism applies to the broader Russian political economy.

NEOPATRIMONIALISM AND RUSSIA

Neopatrimonialism typically refers to a hybrid system of governance where the exchange of rents for loyalty blends with a legal, bureaucratic structure. The term originates from Max Weber's notion of legitimate patrimonial rule, as opposed to his ideal-type rational-legal authority (Weber 1997). The prefix *neo-* has been interpreted differently by various scholars, but generally is used to indicate an extension of traditional patrimonial authority into the modern age, as a suffusion of patrimonial patterns into rational-legal structures (Bratton and Walle 1997). The academic literature boasts a wealth of research on sub-Saharan Africa covering dual regimes where a patrimonial logic such as clientelism exists alongside a legal bureaucratic structure (Bratton and Walle 1997). The concept has traveled to Latin American, Middle Eastern, South-East Asian, and post-communist states (e.g., Bach 2011; Brownlee 2002;

Gabriel 1999; Un and So 2011). Often, the term has been employed as shorthand for corrupt, dysfunctional regimes, but Anne Pitcher et al. (2009) note that this usage threatens to dilute the concept beyond analytical utility, perpetuating normative judgments based on ideal-type government structures that do not exist.

In the post-Soviet arena, scholars have employed neopatrimonialism as a partial explanation for how the region's states have survived despite institutional weakness (Franke et al. 2009; Guliyev 2011; Ikhamov 2013). Work here has demarcated regimes along a neopatrimonial spectrum, ranging from sultanistic (in Central Asia) to oligarchic (in Ukraine, Georgia, and Yeltsin-era Russia) and bureaucratic (in Belarus and, perhaps, contemporary Russia) (Guliyev 2007). Other scholars have tried specifically to grasp the opaque networks of patronage and personal connection that pervade business and political life in Russia (Fisun 2012; Robinson 2011, 2013; van Zon 2008). Some emphasize the political personalism of the Russian neopatrimonial system, highlighting the central role of the president (Baturo and Elkink 2016; Hale 2014). Others downplay the individual and focus instead on the hierarchical structure of "the system" or the "power vertical" in which actors, cliques, and coalitions compete for rents (Gel'man 2015; Ledeneva 2013). In most accounts, Russian neopatrimonialism has been described as dynamic, shifting, and marked by the difficulty of obtaining reliable data on these opaque and unstable relationships.

In this paper we take neopatrimonialism to mean a system of governance with a pervasive network of patron-client relationships permeating and permeated by a legal-rational bureaucratic structure, wherein actors exchange loyalty for rents (Erdmann and Engel 2007; Pitcher et al. 2009). We move beyond using neopatrimonialism as a catch-all to explain corruption and cronyism, instead employing the term to describe Russia's intermingled network of patronage relations and legal structures while acknowledging the reciprocal legitimacy of this system to its participants. It is also important to emphasize that the country's neopatrimonial relationships were already dynamic and shifting before 2010, the date when Russia was granted World Cup hosting rights and which marks the beginning of our data-collection period. Despite the fluidity of the relationships that make up neopatrimonial systems, these systems depend on a stable flow of rents from which to fund patronage (Escribà-Folch and Wright 2010). From this point, we develop the concept of crisis neopatrimonialism to explore what happens when the rent flow is interrupted or diminished, as has been the case in Russia during World Cup preparations and the economic crisis.

METHODS

This paper is based on documentary analysis and informed by the confines of researching mega-events. We follow in the line of scholars who have used mega-events as an entry point to examine the political economy of host nations and cities (Hiller 2006; Orttung and Zhemukhov 2014). The high media interest that accompanies mega-events also helps shed light on areas and relations that may otherwise be difficult to investigate, particularly in opaque research environments. Crucially, hosting mega-events means satisfying contractual requirements that commonly involve major interventions into urban space. Since we are interested in the 2018 World Cup, this means beginning with FIFA infrastructure requirements and following them as they are interpreted by the Russian hosting authorities. This led to Russian Federal Decree 518, the government document that undergirds the 272 World Cup infrastructure projects distributed among the nation's host cities (Russian Federal Government 2013). This document establishes general program budgets and, for each project, the financing source: federal, regional, private, or mixtures of these three. Originally released in 2013, this governing document underwent 23 revisions by 2016. We studied these revisions in order to identify changes and trends in the infrastructure development program, mapping shifts in financing sources over time. When we identified an interesting project, we sourced related documents for more comprehensive investigation. These included government documents (such as construction contracts and public statements from regional and municipal officials); business websites and press releases from companies involved in the projects; and reports from Russian local, regional, and national media. Using these sources, we attempted to determine the ownership structure of the properties in question, and the various government and business actors involved in the project. In this way we monitored World Cup infrastructure developments to identify how Russia's neopatrimonial system reacted to the decrease in rents caused by the economic crisis.

From our investigation of the 272 World Cup infrastructure projects, we highlight three representative cases: the reconstruction of a training stadium in Rostov; the cancellation of a stadium refurbishment project and subsequent construction of a new training stadium in Sochi; and the reconstruction of an airport in Kaliningrad. We chose these cases because they are the best available illustrations of the new dynamics in Russia's neopatrimonial system.

That said, we need to acknowledge the constraints under which any study of neopatrimonialism in Russia, and closed contexts more generally (Koch 2013), operates. Ideally, one would like to catch exchanges of rent for loyalty in the act and have statements on record from elites as to whom they gave preferential treatment to and for what reasons. The opaque nature of neopatrimonialism, and of political and economic

processes in Russia in general, makes that impossible. This constraint, however, should not lead us to abandon research on neopatrimonialism in Russia altogether, as Paul Goode (2010) convincingly insists. Instead, we need to adjust our expectations in terms of the wealth and conclusiveness of data available. We therefore base our case on circumstantial evidence, from which we infer the dynamics of particular neopatrimonial mechanisms in operation. There may be other interpretations for each of the three cases we analyze and we mention some of those where appropriate. Taken together, however, neopatrimonialism is a plausible model to explain the dynamics we observe, but it may not be the only one.

There are also several complications involved in working on a relatively short-term project like the World Cup. First, it is important to note that, at the time of writing, the 2018 World Cup has not yet been completed. Further along these lines, since our study concerns only the years 2010 to 2016, it is fair to ask whether this timeframe is an adequate period for investigation. We strive to allay these concerns by underscoring that, in the first instance, every infrastructure project needed to fulfill contractual obligations for hosting the World Cup was already underway by the end of our research period. While some details of the projects may change by the time of the games (for example the financial totals or actors involved), we believe that the overall trends are already visible and that we have witnessed crisis-driven changes in Russia's neopatrimonial World Cup preparations. Second, since beginning our study in 2010 does not give us a non-crisis baseline against which to measure changes in Russian neopatrimonialism, we endeavor to reflect non-crisis neopatrimonialism by referencing the relevant literature.

ECONOMIC CRISIS

Starting in 2010, Russia's economic stagnation and crisis was brought about by a confluence of its overreliance on oil rents, the worldwide collapse in oil prices, and Western sanctions over the conflict in Ukraine. A stagnation or fall in a variety of key economic indicators demonstrates the extent of this crisis. Annual growth rates for GDP and GNI per capita dropped between 2010 and 2015, as Figure 1 shows. From 2014 (the year of the Crimean annexation and subsequent sanctions), Russia entered a period of recession: it saw the lowest budget revenues since 1999, a rise in poverty levels, drops in foreign direct investment, and a fall in nationwide real wages in 2015 by almost 10 percent—the worst performance since the 1990s (Russian Federal State Statistics Service 2016; World Bank 2016). The Russian Ministry of Economic Development predicted that the economy would exit outright recession by 2017, but nonetheless expected a full 20 years of low growth, forecasting between 1.7 percent and 2.6 percent until 2035 (Kuvshinova and Prokopenko 2016).

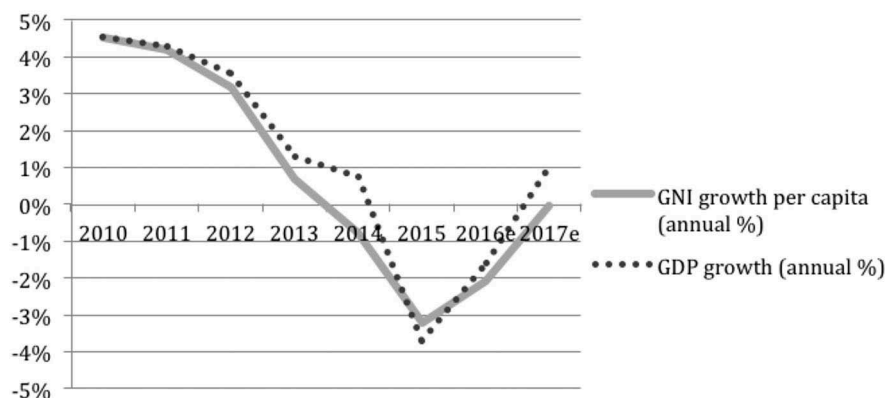


FIGURE 1 Russian GDP and GNI/PPP, 2010 – 2015, with predictions through 2017 (indicated by the letter "e"). Adjusted for inflation. *Sources:* World Bank, Russian Ministry of Economic Development, Vedomosti, Russian Federal State Statistics Service, International Monetary Fund.

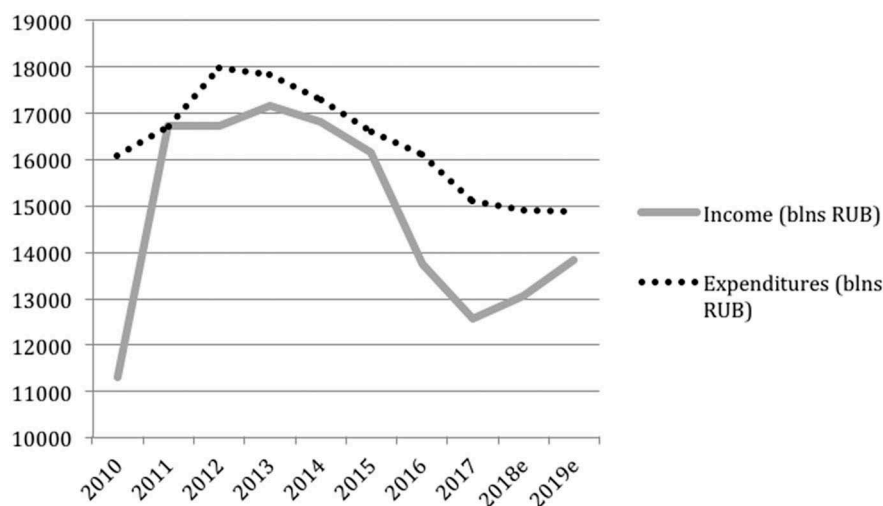


FIGURE 2 Russian federal budget income and expenditures, 2010 – 2017, with predictions through 2019 (indicated by the letter "e"). Adjusted for inflation. *Sources:* Russian Federal Ministry of Finance, Russian Federal State Statistics Service, World Bank, OECD.

Diminished economic growth leads to smaller government budgets, as shown in Figure 2. The federal budget has been shrinking in real terms since 2013, with a marked dent in 2016 and 2017. Moreover, the increasing discrepancy between income and expenditures since 2015 has put increasing pressure on the budget. This discrepancy not only impacts the state's ability to fulfill budgetary commitments, but also has a potential effect on the functioning of the neopatrimonial system. Since neopatrimonialism relies on a stable or growing flow of rents from which to fund patronage, what happens to the stability of the system when this flow is interrupted? Together, the shrinking economy and increasing budget deficits caused a situation of economic insecurity that has affected preparations for the World Cup, leading to project delays, higher material costs, and broken budgets. But do these problems indicate that economic crisis has forced changes to the functioning of Russian neopatrimonialism? This is the question to which we now turn.

CRISIS NEOPATRIMONIALISM AND THE WORLD CUP

Crisis neopatrimonialism refers to the political and economic adaptations of a neopatrimonial system in response to a situation of economic crisis (see Table 1 for a summary of differences between neopatrimonialism variants). The concept begins from the understanding that the foundation of a neopatrimonial system is the exchange of rents for loyalty. If economic crisis diminishes or interrupts the flow of rents, it upsets the system's regular functioning and forces a sequence of political and economic choices in order to maintain stability. Crisis neopatrimonialism is the term we use to describe these choices and to explore the altered state of the neopatrimonial system in Russia due to the economic crisis, during the preparations for the 2018 World Cup.

TABLE 1
Selected Features of Standard and Crisis Neopatrimonialism Variants

<i>Features</i>	<i>Neopatrimonialism</i>	<i>Crisis Neopatrimonialism</i>
Flow of rents	Stable or growing	Diminished or interrupted
Neopatrimonial relationships	Stable or growing	Unstable or diminishing
Elite decision- making environment	Minimal constraints	Constrained
Competition for rents	Normal	Increased

It is not uncommon for scholars to use mega-events as a microcosm to study the political economy of countries and cities (Gaffney 2010; Raco 2012, 2014). Mega-events also tend to provide good cases for exploring neopatrimonialism, as they involve the disbursement of sizable funds within limited timeframes, often with minimal scrutiny and limited accountability—conditions that facilitate neopatrimonial relationships. In Brazil, infrastructure preparations for the 2014 World Cup and 2016 Olympics were used to distribute rents to well-connected elites (Gaffney 2010); and in Russia, the 2014 Sochi Olympics enriched various factions of security services and oligarchs, trading economic rewards for loyalty in order to maintain the integrity of the ruling coalition (Orttung and Zhemukhov 2014). Government contracts to build stadiums, airports, roads, and hotels for mega-events are a favorite vehicle for channeling funds toward cronies, with the time pressure of looming mega-event deadlines often being claimed as the reason for awarding contracts instead of conducting public tenders.

The 2018 World Cup, too, has experienced a large share of neopatrimonial quid pro quo between government and elites, despite attempts to break with the profligate spending for Sochi 2014 and to demonstrate a novel approach to the planning of state expenditure (Kazmin' et al. 2013). While there is little research on the 2018 World Cup to date, that which exists has documented rigged tenders for stadiums, prices inflated by contractors, the awarding of construction projects as political favors, and smokescreen public participation (Makarychev and Yatsyk 2015; Müller 2017). Though most of the spending for the 2014 Sochi Olympics happened during declining growth but relative budgetary stability in the years 2010 to 2013, the major spending for the World Cup, budgeted for the years 2015 to 2017, occurred in times of economic recession and shrinking budget revenues (see Figures 1 and 2).

The 2018 World Cup will take place in twelve stadiums in eleven host cities across European Russia, likely drawing the attention of over a billion people worldwide (FIFA 2014). World Cup cities must meet an exhaustive list of FIFA infrastructure requirements before the games begin. Host authorities—the coalition of government and business elites granted power by presidential decree to prepare for

the World Cup—spearhead infrastructure projects to fulfill the nation's contractual obligations with FIFA. This process takes years and is hugely expensive, with costs typically in the billions of U.S. dollars. FIFA requirements are wide-ranging, covering developments for each host city's tournament and training stadiums, airport and public transport system, event security, fan zones, and hotels (FIFA 2010a, 2011). FIFA's plans are not implemented in a vacuum, however, but imported into host cities with already existing development agendas. In Russia, where subnational governments rely heavily on budgetary support from Moscow, preparing for the World Cup involves negotiations between host authorities who must fulfill FIFA requirements, municipal actors with separate or overlapping ideas for development funds, and federal actors with their own plans for regional development.

Starting from a thorough examination of the revisions in Decree 518 (the federal document that governs the World Cup infrastructure development program), we identify three general changes in Russia's neopatrimonial system, summarized in Table 2: state assumption of projects to relieve private financial obligations; a reordering of elites; and an increase in the price of loyalty among elites. We document these features expressed in World Cup infrastructure projects as financial rewards for certain actors, a narrowing of the circle of favorites, and cost overruns and work stoppages. We demonstrate these features in three case studies, observing how the economic crisis affected Russia's neopatrimonial networks in the context of fulfilling FIFA's infrastructure requirements.

Public Funding for Private Gain

Funding to prepare for the World Cup was presented as an even split between federal support on one side, and regional and private sources on the other (Rozhkov 2013). When the initial funding arrangement was drawn up in 2010, the economy was in recovery from the 2008 crisis, but expectations of another boom (as in 2000–2008) were tempered by cautious postures from government and public discussions of the need for economic restraint (Kremlin.ru 2009; Vzgliad 2009). Since

TABLE 2
Processes of Crisis Neopatrimonialism as Reflected in the 2018 Football World Cup

<i>Feature of crisis neopatrimonialism</i>	<i>Process</i>	<i>Key example</i>
Public funding for private gain	Financial reward for certain actors as state assumes obligation to pay	Private sector disappears; state funds training stadium reconstruction in Rostov
Reordering of elites	Change of beneficiaries from rent flows	Cancellation of stadium refurbishment in Sochi, constructing new training stadium instead
Increased costs of loyalty among elites	Cost overruns and work stoppages resulting in higher rents	Delays in reconstruction of airport in Kaliningrad; replacement of key actors

2014, the economic crisis has shifted these initial funding arrangements by inducing changes in usual neopatrimonial functioning. One of these changes is a significant decrease in private funding for projects, due primarily to economic uncertainty, higher inflation, and a prolonged negative outlook from the continuing sanctions.

Since World Cup developments are protected by international legal agreements and must be completed, we see a disappearance of private investors concurrent with federal and regional governments stepping in to fund the necessary work. In the many revisions of Decree 518, when the state did not cut privately funded projects outright, it reoriented funding schemes to relieve private actors of the obligation to pay. This speaks to a particular characteristic of neopatrimonial economic functioning: in a non-neopatrimonial system, actors might invest in a project because they expect a financial return. In Russia's neopatrimonial World Cup preparations, however, we see actors investing in projects not necessarily because of financial reasons, but rather political ones. What might be the initial reasoning behind these investments? Since a financial return in many of these endeavors is unlikely, we infer that some actors are investing in relationships with the power structure. What does it mean, then, when an actor is removed from funding obligations, as revealed in the revisions to Decree 518? Does this deletion necessarily indicate a removal from favor? We argue that, in cases where the investor is removed from funding obligations but *remains the owner of the property in question*, then that removal represents a significant gift. In this way, the state assumes funding obligations to improve the property of a private entity. It is possible, of course, that other explanations could lie behind such financially quizzical moves. Under rigid World Cup time constraints, the state might have assumed responsibility to guarantee that work would be completed on time, for example. We cannot know what transpired to make decision makers adjust Decree 518 in these ways, but we maintain that neopatrimonial relationships are a plausible explanation for understanding these developments, and that seemingly illogical decisions begin to make sense when viewed through the lens of crisis neopatrimonialism.

We can see this dynamic at work in Rostov, a port city of 1 million people about 1000 km south of Moscow. Aside from the main stadium that will host the official matches, World Cup host cities must provide teams with housing and adequate facilities for training, and each training field must meet stringent FIFA standards for quality and privacy (FIFA 2011). Decree 518 establishes three training stadiums in Rostov, all of which need reconstruction, but we focus here on the site that needs attention most: Lokomotiv stadium, located in the city's railway district. This dilapidated Soviet-era facility is more dirt than grass, and a few bare concrete benches stand beyond the cracked running track surrounding the field. The territory also includes a bicycle track and a building with changing rooms, gymnasiums for indoor sports, and office space. Currently a sports club uses the indoor facilities, offering classes and indoor football. Ownership of the stadium and club is unclear—conversations with the sports club administration revealed contradictory ownership information, while phone calls and emails to the stadium administration went unanswered—but it appears ownership is split at least between the Rostov regional government, the state company Russian Railways, and an unknown actor (Kliuchko 2014; RZD 2015).

The original version of Decree 518 established that private actors would pay for the reconstruction of the training stadium (Russian Federal Government 2013). This plan had changed by 2016, when Rostov's Ministry of Construction, Architecture, and Regional Development held a public tender for the stadium reconstruction plan. The contract was awarded for 331.9 million rubles (\$5.1 million) to Armstroï, a construction company from the city of Ryazan, and the revisions of Decree 518 reveal that the original private actors had vanished, leaving federal and regional budgets to foot the bill (RosTender 2016a; Russian Federal Government 2016). Remembering that these infrastructure projects must be completed no matter the cost, the disappearance of the private sector saddles the public with ever-higher financial burdens.

The Rostov regional government began the Lokomotiv training stadium project by spending 13 million rubles (\$200,000) to develop a reconstruction plan that fulfills

FIFA requirements (Goriaev 2015). This plan called for the same international quality pitch as in the World Cup stadiums, seats for 500 spectators, appropriate stadium lighting, and a privacy fence five meters high to screen training sessions from view. Further, the running and bicycle tracks were slated for renovation, and the nearby sports building was to be demolished and replaced by a multistory facility with changing rooms and meeting space (Besedin 2015; Krylova 2016). Originally, the Kavras company, a three-way partnership between local businessmen Andrei Lukianov, Sergei Levchenko, and the Maevskii family, agreed to invest 210 million rubles (\$3.2 million) to repair the stadium's bicycle track and construct the adjacent sport facilities building (Goriaev 2015). By the following year, however, Kavras withdrew entirely from the project, giving no explanation for their departure (Stepanov 2016). Nevertheless, the gymnasiums, changing rooms, and meeting space that Kavras promised to fund must still be built—despite the company's withdrawal. In the context of fulfilling FIFA obligations, then, the state must ensure this project's funding and completion. With no other investors forthcoming, the regional budget is funding the necessary construction.

It is not clear why the private sector abandoned its obligations to fund these projects—perhaps the economic crisis affected their appetite for risk or they may have been pushed out against their will. What is unmistakable, however, is that these events are part of a broader trend of hosting authorities assuming private obligations in the context of economic pressure, while in many cases leaving ownership structures intact. Examining Decree 518 between 2013 and 2016 reveals over 150 project amendments and cuts made in order to adjust to the crisis. This resulted in savings of 44.4 billion rubles (\$683 million), of which fully 67.7 percent benefited the private sector (see Figure 3).

The overall reduction of the potential pool of rents due to the economic crisis led us initially to assume that we should see a concomitant reduction in rents distributed down the neopatrimonial network. Instead, we saw that the state assumed a larger financial burden while relieving

private actors of their obligations. The processes we see in Rostov—and mirrored in World Cup developments nationwide—represent an entrenchment and expansion of the role of the state in the economy and, concurrently, indicate a bonanza giveaway to the private sector.

Reordering of Elites

Neopatrimonial systems rely on a stable or growing pool of rents from which to fund patronage. As the economic crisis diminishes the overall pool of rents in Russia, we see actors in the neopatrimonial system fighting for a share of the shrinking pie. We identify the winners and losers in this competition by comparing the revisions of Decree 518. For instance, when a project from an earlier revision is canceled and replaced, we can compare the project details in order to identify differences that may give clues to shed light on why these decisions were made. There are problems, however, with a lack of data due to the impossibility of seeing into the black box of the relationships that undergird these business decisions. In order to address this issue, we work backwards from the available evidence and put forward a possible interpretation based on an exploration of the projects and the constellations of actors involved. In so doing, we can infer which actors managed to secure a place at the neopatrimonial table and which actors were excluded. In this case, our analysis uncovers the related processes of increased competition among elites and the narrowing of the circle of favored clients.

In 2013, Decree 518 designated four training stadiums in Sochi for reconstruction. Three of these were privately owned facilities while the fourth was owned by Russian Railways and served as practice grounds for the Moscow-based Lokomotiv football club (not to be confused with the training stadium of the same name in Rostov). The three private stadiums were part of larger sport complexes that include fitness and resort facilities such as hotels, gymnasiums, running tracks, and spas. These private properties were ideally suited to serve as base camp training sites and hotels for visiting World Cup teams. FIFA requirements

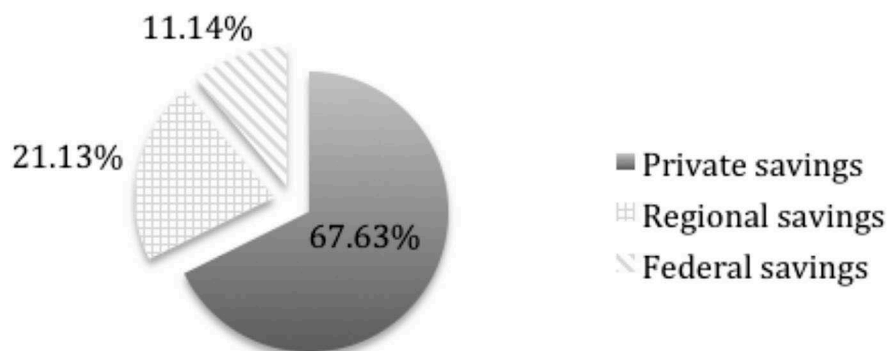


FIGURE 3 Who benefits from World Cup budget cuts? Sources: Multiple revisions of Federal Decree 518.

would necessitate upgrades to some of the facilities—for instance improving the quality of the football pitches, ensuring the privacy of training sessions, and enhancing the comfort of the hotel accommodations—but given that most of these properties had already been updated for the 2014 Sochi Olympics, these projects would likely be relatively minor and affordable. Only the Lokomotiv stadium required more significant work, as it had been overlooked during the Olympic preparations. From the start, each of these projects was privately funded.

In response to budget pressure from the economic crisis, the government revised Decree 518 in early 2015 to reduce the number of training stadiums nationwide. In Sochi, this revision cut all four original training sites and replaced them with three new projects. The Lokomotiv stadium, no longer slated for World Cup–related upgrades, fell from favor almost immediately. The director of Russian Railways declared the company would no longer pay to maintain that training facility and, by the end of the year, the Lokomotiv football club gifted the stadium to the Krasnodar regional government (Fomin 2015). Regional authorities promised to upgrade the field and construct an international-quality stadium, despite the fact that the site is no longer associated with the World Cup. No funding has been announced for this project and the stadium remains in poor condition. The other three original training sites, being privately owned and in better condition, are continuing operations as before, renting out sports facilities, and offering package holiday tours with hotel rooms on-site. Without official attention from host authorities, however, they are sidelined from the action: there will be no infrastructure improvements and World Cup teams will not stay at their hotels or use their training facilities. It is not possible to know why these actors have been sidelined, but from the available evidence, we infer that the owners of these private facilities lack strong enough connections to earn inclusion in the narrowing circle of neopatrimonial relationships. It appears they were not judged important enough to keep close.

Of the three new sites in the latest revision of Decree 518, only one remains privately owned and funded. Owned by the Sochi-Park amusement park group, this is the smallest project of the lot; it was constructed for the Sochi Olympics and needs only minor upgrades to fulfill FIFA requirements. The other two sites are new constructions: a short walk from one of the base camps cut from the original plan, federal and regional funds are now building from scratch in empty lots by the Black Sea. ASK-Monolit, a private construction company from Krasnodar, won the tender for these two new training stadiums at a bid of 204 million rubles (\$3.1 million) (RosTender 2016b). Since building new stadiums costs more than upgrading existing structures, this raises the question of why the state would fund projects that are more expensive than other options.

This move seems all the more absurd given the constraints of the economic crisis.

In this case, a balanced budget seems less important than perhaps ensuring that funds flow to the right people. While it is not possible to illuminate the relationships that make ASK-Monolit the company of choice for this project, we can ascertain some details about the company and its director, Aleksandr Krisan. According to public record, Mr. Krisan currently runs five active construction companies in Russia: one in Tyumen, two in Krasnodar (one of which is ASK-Monolit), and two in Moscow. He founded his first company in 1993, which survived until 2008 when it was liquidated in arbitration court. His remaining firms all display characteristics suspiciously similar to shell companies. The two Moscow firms are registered in buildings known to authorities as sites of mass company registration, while the three regional firms—including the one that won the Sochi World Cup tender—are registered in small private apartments. ASK-Monolit's website states that the company employs 89 engineers and 485 laborers, but these people clearly have nothing to do with the tiny dwelling that is their employer's legal address. So although we cannot prove that ASK-Monolit is breaking the law, and we cannot know what connections Aleksandr Krisan has with World Cup planning authorities, it is clear that the firm and its owner at least share many characteristics with the shadowy world of quasi-legal business entities. As before, we cannot say with certainty why ASK-Monolit was brought into the World Cup preparations—perhaps it was merely bribery, which is separate from neopatrimonialism. Or, if it was bribery, this could also be seen as a bid to enter a neopatrimonial relationship. Nevertheless, we maintain that interpreting these events through the lens of crisis neopatrimonialism provides a plausible explanation for why a different company would be brought in to develop a new project at greater cost than what had originally been planned.

In this light, the training ground developments in Sochi demonstrate how the economic crisis reordered those elites benefiting from rents. The frequent revisions to the building program for the World Cup are only partly an exercise in cost cutting, as could be expected from the squeezed budget. Put simply, the revisions to Decree 518 canceled many projects, but those that remained became more expensive and benefited different actors. As before, this reflects a wider trend in World Cup infrastructure projects: a full third of the training sites nationwide mirrored this pattern of replacing private projects with state-owned and state-funded constructions, usually at a price increase. Looking beyond only training infrastructure, the revisions of Decree 518 show a similar expansion of federal or regional control in 14 percent of total projects, as host authorities replaced privately owned facilities with new, public ones. We are witnessing processes of crisis-driven change in World Cup preparations nationwide. If we continue to interpret these

events through crisis neopatrimonialism, we see that—rather than diminishing neopatrimonial relationships through enforced fiscal responsibility—the economic crisis appears to engender a rethinking of who matters and who does not.

Increased Price of Loyalty Among Elites

In standard neopatrimonial systems, patrons reward clients with rents in order to secure their loyalty. Crisis neopatrimonialism leaves this relationship unchanged but appears to encourage elites to demand higher payments for their continued loyalty. In other words, the economic crisis causes the overall pool of rents to shrink. The subsequent increased political and economic uncertainty inspires elites to take as much as possible, constrained only by how valuable or necessary each actor is within the neopatrimonial relationship. In effect, this is a gamble on an actor's value to the neopatrimonial system. If the actor is not deemed important enough, his attempts to secure a higher share of rents will result in ejection from the system, as shown in the dramatic ownership and financing conflicts in the reconstruction of Kaliningrad's Khrabrovo airport. This case demonstrates how the economic crisis caused the turnover of key actors in Kaliningrad's political and business structures, as certain elites gambled and lost (see Table 3).

According to FIFA, host authorities must provide efficient and reliable transport at a number of scales: from abroad into the host nation, within the nation between host cities, and within the host cities between areas of importance such as the transit hubs, hotels, and most critically, the football stadium (Kassens-Noor 2014). All host cities must have transport systems that meet FIFA requirements, but air transport

will play a crucial role in the 2018 World Cup. Due to Russia's vast size, travel times between the host cities are mostly unmanageable without airplanes; consequently, FIFA has emphasized the necessity of upgrading the nation's air transport system (FIFA 2010b). For air travel, FIFA requires a strategic plan that considers international and domestic connectivity, quality control, and passenger capacities (FIFA 2016). Specifically, host cities must expand passenger throughput capacity in order to handle peak World Cup traffic, focusing on a ten-hour period before and after the matches.

Most airports in Russia have a complicated ownership and management structure that blends federal, regional, and private actors. Decree 518 reflects these complications by stipulating that every host city airport reconstruction project (save one exception in Moscow) will be funded according to ownership: federal money will repair and reconstruct the federal portions of an airport, while regional and private money will go toward regionally and privately owned facilities (Russian Federal Government 2013). Nationwide, host authorities planned repair and construction projects to bring each of the thirteen host city airports up to a high infrastructure standard, increasing passenger throughput capacity to handle the peak crowds of World Cup visitors (Russian World Cup Bid Committee 2010). Seven of these airport projects are considered urgent because their throughput capacities and overall infrastructure quality fall below standard. Kaliningrad's Khrabrovo airport is one of these seven, but since the Kaliningrad region is separated from the contiguous Russian Federation, both regional and federal governments give air transport facilities special priority beyond most other host cities. Khrabrovo airport is a lifeline to the Russian mainland and a plum property. During the process of reconstruction for the World Cup, it

TABLE 3
Airport Khrabrovo, Key Events in Ownership and Control 2002–2015.

Year	2002–2008	2008–2012	2012	2014	2015
Owner	KaliningradAvia /KDAvia	Airport Khrabrovo	Airport Khrabrovo / AeroInvest	Airport Khrabrovo / AeroInvest	Novaport
Important Actors	Sergey Grishenko (owner), Leonid Itskov (director). Conducted deals for personal enrichment, leading to airport bankruptcy.	Vneshekonombank, Bank St Petersburg, leading Russian airlines. New actors divide KDAvia's planes, routes, properties	Arsen Kanokov. Influential politician and businessman with interests in regional airports.	Stroyinovatsia, a construction company owned by Ziyavudin Magomedov, one of Russia's richest men.	Roman Trotsenko, another of Russia's richest, owns Novaport and is growing in influence. Tsentrodor-stroy is a Moscow-based construction company.
Important Events	First company to own and run Khrabrovo after privatization. Goes bankrupt. Grishenko and Itskov jailed for debts of almost 12 billion rubles.	Two banks take ownership of Khrabrovo through new airport holding company. Bank St Petersburg owns majority stake.	Bank St Petersburg sells its stake to Kanokov, a politician who owns AeroInvest.	Stroyinovatsia, owned by Magomedov, is hired as contractor to update airport for World Cup. Delays ensue.	Federal intervention removes old actors, replacing with new owner and contractor

became a battleground between various political and business coalitions.

Since it was partially privatized in 2002–2003, Khrabrovo airport has undergone a series of controversial ownership changes and reconstruction projects. Despite significant investments and material improvements, the airport still failed to meet FIFA requirements for quality and capacity by the time Kaliningrad was chosen for a World Cup host city. During this time a scrum for ownership of the airport developed between two holding companies, AeroInvest and Novaport, each run by a wealthy and well-connected businessman. These companies involved different contractors to upgrade the airport, and the battle came down to which of these groups would walk away with the prize of airport ownership and a prime government contract for international-level infrastructure upgrades. Further complicating the picture, the airport holding companies themselves comprise convoluted partnerships of numerous governmental and private actors.

In 2008 RosAviatsia, the Russian federal aviation agency, paved the way for AeroInvest to assume control of the airport by revoking the previous owners' license to operate flights, due to bankruptcy proceedings and debts of nearly 11 billion rubles (\$169 million) (Ekimovskii 2008). Two banks took possession of the airport as payment for debts: Vnesheconombank (a Moscow-based development bank) and Bank St. Petersburg. To manage their new holding, the two banks formed a private company called Airport Khrabrovo. In 2012, Bank St. Petersburg sold its 75 percent share in Airport Khrabrovo to AeroInvest. As part of this purchase, the company was required to transfer 20 percent of the airport to the Kaliningrad regional government (Vedomosti 2013). The fractured ownership structure now stood as follows: operating under the name Airport Khrabrovo, the airport was owned and managed by a partnership between Vnesheconombank, the Kaliningrad regional government, and majority owner AeroInvest.

AeroInvest is owned by the Sindika holding group, itself owned by Arsen Kanokov, a businessman with a storied political career: he is a high council member of United Russia (the nation's dominant political party), a senator in the Federation Council (the upper house of the Russian parliament), and the former president of the Republic of Kabardino Balkaria in the Russian North Caucasus. Though AeroInvest paid 2.4 billion rubles (\$37 million) for a Khrabrovo reconstruction project, by 2014 the airport still did not meet FIFA standards (RIA 2012). So, in order to fulfill World Cup requirements, host authorities presented AeroInvest and RosAviatsia with a plan to expand and modernize the airport. They signed a deal for 3.2 billion rubles (\$49 million), established a deadline of November 2016, and promised the federal government would pay. The chosen contractor was Stroinovatsia, a construction company owned by one of Russia's wealthiest men: Ziyavudin

Magomedov (Forbes 2016a). The AeroInvest/Stroinovatsia project was planned to increase the airport's capacity to exceed FIFA's throughput requirements by 20 percent (LenAeroProekt 2013).

At this point economic crisis struck. Stroinovatsia claimed it required more money and time to complete the job because of crisis-caused delays and higher costs on material imports, due to the weak ruble. While the strained economic situation certainly affected renovation plans, we contend there is also neopatrimonial logic at play. Magomedov, who in 2010 had been awarded the Order of Friendship by the Russian president, in effect attempted to leverage his importance in the neopatrimonial network to secure more rents. Delays were a key part of Stroinovatsia's ploy, but Magomedov seems to have taken the game too far: once the project was nearly a year behind schedule, the Kaliningrad governor publicly appealed to the federal government, inviting deputy prime minister Igor Shuvalov and sports minister Vitalii Mutko—two of the driving forces behind the World Cup and both members of the hosting coalition—to inspect the airport and get the project on track (Kiselyova 2015). This appeal to higher authority ultimately resulted in a new airport owner and project contractor.

This change involved Roman Trotsenko, a Russian multimillionaire associated with the influential Rosneft oil company (Forbes 2016b). In mid-2016, Trotsenko completed the purchase of controlling equity in AeroInvest, giving his holding company Novaport control of Khrabrovo airport (Vorobev 2016a). Purchasing Khrabrovo meant taking responsibility for the stalled reconstruction project, which Trotsenko promised to complete by the fourth quarter of 2017 (NewKaliningrad.ru 2016).

Next, Trotsenko and Novaport announced that it was impossible to work with Stroinovatsia as contractor. Managing these relationships at the federal level, RosAviatsia claimed breach of contract in order to sever ties, but Stroinovatsia continued blaming its delays on the economic crisis and filed a motion in Moscow arbitration court to maintain the contract. Neither Novaport nor RosAviatsia could legally appoint a new contractor until the conflict was resolved, so work on the airport was still frozen, even as the World Cup deadline inched closer.

Under pressure from the federal government, Stroinovatsia eventually agreed to drop its court case and withdraw from the contract if RosAviatsia agreed to accept the airport work already done and not demand the return of their 1.1 billion ruble (\$17 million) advance (Vorobev 2016b). Once Magomedov and Stroinovatsia retreated from the project, Novaport announced that Tsentrodorstroi, a venerable Moscow construction company involved with other World Cup projects, would take the job as contractor (Amozov 2016). The new contract was awarded for 3.39 billion rubles (\$52 million) (TASS 2017). This is more than the 3.2 billion rubles (\$49 million) initially awarded to Stroinovatsia, but the total cost to the

public is higher, since the billion ruble advance vanished with the legal settlement.

The conflicts over the airport project demonstrate once again the reordering of elites that we identify as the second feature of crisis neopatrimonialism. In short order after World Cup development began, the airport owners, the general contractor, and even the regional governor all were replaced. Arsen Kanokov, the politician and businessman, not only lost control of AeroInvest (and consequently his holdings in other airports besides Kaliningrad), but he was ejected from the high council of the United Russia party as well (Interfax 2016; NewsRu.com 2016). Having lost his stake in the airport game, Kanokov moved to expand his hotel empire and attempted to purchase the Radisson Blu hotel in Sochi that was built for the 2014 Olympics (Pastushin 2017). This property belonged to Abas Aliev, a hotel magnate who was forced out of his own holding company and fined hundreds of millions of dollars by a Moscow arbitration court (Mertsalova 2016). We can see here the cascading effects down the neopatrimonial hierarchy, as actors higher up the ladder force out smaller players down the chain.

In Kanokov's place, the well-connected Roman Trotsenko and his growing company Novaport have moved to control Khrabrovo. Stoinovatsia and Ziyavudin Magomedov were removed from the airport reconstruction and remain under court pressure to deliver on other projects. The Kaliningrad airport case demonstrates a third and final feature of crisis neopatrimonialism: how the economic crisis encouraged elites—keenly aware of the increased economic pressure and the contractual requirements to fulfill World Cup obligations—to charge higher prices for their participation in the neopatrimonial bargain. In many cases this translated into using their projects as bargaining tools to extract more public money, in effect holding the government ransom. In Kaliningrad, we see actors like Kanokov and Magomedov attempting to charge more for their continued loyalty, gambling on the security of their positions and the urgency of the World Cup projects. In the end they lost their positions—a development we interpret as a misjudgment of their value while attempting to extract higher rents. There are examples in other World Cup development projects where actors have taken similar risks and profited hugely, for example the World Cup stadium construction in Samara. But while trying to increase the costs of loyalty was a general phenomenon, the outcomes of this strategy varied: sometimes we see the gamblers emerging with greater profits, but in Kaliningrad, Kanokov and Magomedov gambled and lost. Further, the pressure on Magomedov even in projects unrelated to the World Cup (Zibrova and Petlevoi 2017) suggests shifts in the broader neopatrimonial system, but as these relationships are negotiated away from public scrutiny, we cannot know for certain. It is possible, for instance, that Magomedov is being attacked for unrelated political reasons, or that these machinations are the result of an intensification in

competition among elites for rents. We note similar stories across World Cup projects and even beyond, and we argue that crisis neopatrimonialism can provide a plausible explanation for these developments.

CONCLUSION

The economic crisis since 2014—and subsequent pressure on the system of rent distribution—has affected the Russian World Cup development program. We demonstrated three features of crisis neopatrimonialism through three case studies: the reconstruction of training facilities in Rostov; the construction of new training stadiums in Sochi; and the reconstruction of the airport in Kaliningrad. In Rostov, the shift away from independent funding indicates a reward for private actors, as the state assumed the obligation to pay. In Sochi, the removal and replacement of private projects represents a reordering of the circle of favored elites, as certain actors merited further rewards while others were excluded. Finally, in Kaliningrad, the convoluted story surrounding the ownership and reconstruction of the airport revealed that actors were attempting to leverage their value in the neopatrimonial system in bids to earn higher rents in times of economic insecurity. At least in the case of the World Cup, instead of threatening the neopatrimonial system, the economic crisis has led to adaptations, shifting private obligations onto public shoulders, reordering the circle of favorites, and inspiring elites to gamble for higher rents.

Naturally, we recognize that it is not reasonable to make absolute conclusions about Russia's broader political economy by extrapolating from the World Cup. Instead, in using World Cup developments to investigate crisis-driven changes in Russian neopatrimonialism, we attempt to shine a light on the changes themselves and to question whether these may be indicative of larger dynamics. Though focused on the World Cup, our investigation thus raises questions about similar patterns of crisis-driven change potentially visible elsewhere in Russia. For example, we might see developments that resemble crisis neopatrimonialism in St. Petersburg, where the Transept Group (majority-owned by Boris Rotenberg, a longtime ally of the Russian president) replaced the original contractor to build a new stage for the Maly Theater (Interfax 2017; Zarubina 2016). Similarly we could investigate the years of wrangling over the reconstruction of the Khabarovsk airport, as a litany of investors appeared and disappeared in the scrum to upgrade this privately owned facility (Sherbakov et al. 2016; Vorobev 2017, 2016c). At the same time, it is possible that the changes we have identified in this paper are affecting only sectors involved in preparing for the 2018 World Cup, and may simply be an effect of mega-event development in Russia. Ultimately, whether and how Russia at large has changed in response to the ongoing

economic crisis will have to be the subject of further studies.

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